

Washington, DC - Ways & Means Committee member Rep. Linda Sánchez (D-CA), introduced legislation today to amend the American Recovery and Reinvestment Act of 2009 (the Recovery Act) to allow Real Estate Investment Trusts (REITs) to participate in the law's energy grants program.

"This simple change will allow more American businesses to benefit from investments in renewable energy projects while spurring job growth," said Rep. Linda Sánchez. "An investment today will result in a lifetime of energy savings."

Congress created Real Estate Investment Trusts (REITs) in 1960 to enable investors from all walks of life to own professionally managed, income-producing real estate. A REIT is a tax designation for an investor investing in income-producing real estate (such as apartments, health care facilities, hotels, offices, and warehouses) that reduces or eliminates corporate income taxes. In return, REITs are required to distribute at least 90% of their income into the hands of the investors. REITs provide similar advantages over other types of real estate investments to the advantages mutual funds provide over typical stock investments.

"Because buildings represent almost half of all U.S. energy use, including 70% of all electricity use, providing incentives for businesses to engage in energy efficiency projects will significantly reduce energy use in America," continued Sánchez. "This is a win-win approach to stimulating the economy, creating jobs, and protecting our environment."

Despite being designed for this purpose, the Energy Grants provision in the Recovery Act has been interpreted to benefit a REIT only to the extent it retains taxable income. Because most REITs distribute their entire income to investors, REITs have been unable to take advantage of these grants. By fixing this seemingly small oversight in the Recovery Act, this bill can have big effects in our community.

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